An 7/4/990

For Use With
Form AA-18

MOTHER'S/FATHER'S AND CHILD'S ANNUITY

United States of America
Railroad Retirement Board

Form RB-18 (6-90)

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INTRODUCTION

This booklet gives you some understanding about your railroad retirement annuity. It also contains information that you must read before filling out your application.

After you begin receiving your monthly annuity payments, certain events will affect your payments and must be reported to the Railroad Retirement Board. Part IV in this booklet explains those events that must be reported. For this reason, you should keep this booklet handy for future reference.

In this booklet, and on the application, these terms are used in the following ways:

- Employee — the person who worked for the railroad.
- Applicant — the person who is claiming to be qualified to receive an annuity based on the employee's railroad work.
- Mother/Father — the employee's widow, widower, remarried widow, remarried widower, or surviving divorced spouse who is taking care of at least one child who qualifies for a child's annuity.
- Child — a person who was related to the employee in some parent-child relationship.

NONDISCRIMINATION ON THE BASIS OF HANDICAP

Under Section 504 of the Rehabilitation Act of 1973 and Railroad Retirement Board (RRB) regulations, no qualified person may be discriminated against on the basis of handicap. RRB programs and activities must be accessible to all qualified applicants and beneficiaries, including those who are vision or hearing-impaired. Handicapped persons needing assistance should contact the nearest RRB office. Complaints of alleged discrimination by the RRB on the basis of handicap must be filed within 90 days in writing with the Chief Executive Officer, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611. Questions about individual rights under this regulation may be directed to the RRB's Equal Employment Opportunity Officer at the same address.

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PART I
APPLYING FOR YOUR ANNUITY

The chapters in this part of the booklet contain certain information that will help you to complete your application correctly. Included is information on the requirements you must meet to receive an annuity, and when your annuity could begin.

We recommend that you read the chapters in this part of the booklet *before* you fill out your application.

Chapter 1 — Requirements The Employee Must Have Met

The Railroad Retirement Board can pay a mother's/father's and child's annuity only:

- If the employee was employed in the railroad industry for at least 10 years; and
- If the employee had no regular employment outside of the railroad industry between the time when he or she left the railroad industry and the time he or she retired or died (if he or she never retired).

  •• If the employee was alive on October 1, 1981, we will consider that he or she had no regular employment outside of the railroad industry, if the employee:

  - Had at least 25 years of service; and
  - Did not decline an offer to return to work in the same class or craft as his or her last railroad service, regardless of the number of miles he or she would have had to move to accept such a job; and
  - Stopped working in the railroad industry involuntarily and without fault on or after October 1, 1975.

Chapter 2 — What Happens If The Employee Does Not Meet The Requirements

If the employee does not meet the requirements described in the chapter, *"Requirements The Employee Must Have Met,"* the Railroad Retirement Board (RRB) cannot pay you a mother's/father's and child's annuity. However, the Social Security Administration (SSA) might be able to pay you and your application will be transferred to that agency. Therefore, you should still complete the application and send it to the RRB.

Your mother's/father's and child's benefits can be paid by either the RRB or the SSA, but not by both, even though the employee may have received payments from both agencies while he or she was alive.

However, no matter which agency pays your mother's/father's and child's benefits, all the employee's work, whether in the railroad or not, will be used to calculate the amount of your payments.

Chapter 3 — Definition Of A Mother's/Father's and Child's Annuity

A mother's/father's and child's annuity is actually a combination of two different types of annuities: a mother's/father's annuity and a child's annuity. But because the two are so closely related, usually only one application is needed.

It is possible for a child to meet the requirements for a child's annuity, but for the mother/father not to meet the requirements for a mother's/father's annuity. In this case payments for only the eligible child or children are made to the mother/father.

However, if there is no child who is entitled to a child's annuity, no mother's/father's annuity can be paid. This is because one requirement for a mother's/father's annuity is that the mother/father is taking care of a child who is entitled to a child's annuity. (See the chapter, *"When a Child is Considered to be in a Mother's/Father's Care."*)

In addition, in some cases not only the child's entitlement to an annuity but also the child's relationship to the mother/father (step-child, grandchild, etc.) determine whether the mother's/father's annuity can be paid.

Chapter 4 — Types Of Children Eligible For A Child's Annuity

In order for a child to qualify for an annuity, the child must be related to the employee in one of the following ways:

- Natural legitimate child.
- Illegitimate child.
- Stepchild.
- Legally adopted child.
- Deemed child. (See the chapter, *"Definition Of A Deemed Child."*)
- Equitably adopted child. (See the chapter, *"Definition Of An Equitably Adopted Child."*)
- Grandchild.
- Stepgrandchild.

Note: Form AA-18 should show the child's relationship to the employee as "OTHER" if the child is an:

- Illegitimate child;
- Equitably adopted child;
- Deemed child; or
- Stepgrandchild.

Chapter 5 — Definition Of A Deemed Child

A deemed child is a child who was born of an invalid ceremonial marriage who would not have any rights under the state law for inheriting the employee's property.

Chapter 6 — Definition Of An Equitably Adopted Child

A child may be considered as an equitably adopted child if the child was never legally adopted by the employee because:

- A contemplated adoption was never completed; or
- Adoption proceedings were undertaken but they were defective under the state law.

Chapter 7 — Age Requirements For A Child's Annuity

In order to be considered for an annuity the child must be:

- Under age 18; or
- Age 18 or older if the child became disabled before age 22 and the disability is permanent; or
- Age 18 through 19 if the child is attending elementary or secondary school full-time.

Note: If the child is age 18 or older and disabled, Form AA-19a, *Application For Determination of Child Disability,* must be completed in *addition* to Form AA-18.

If the child is age 18 through 19 and a full-time student at an elementary or secondary school, Form AA-19s, *Application For A Child's Annuity—Full-Time Student,* must be completed instead of Form AA-18 for that particular child. If the only eligible child is a full-time student, a mother's/father's annuity cannot be paid.

Chapter 8 — Effect Of Marriage On A Child's Annuity

A child must be unmarried in order to become entitled to a child's annuity. A child is unmarried if:

- The child has never been married; or
- The child was married before the employee died and that marriage has ended by death, divorce or annulment.

Chapter 9 — Dependency Requirements A Child Must Meet

If the child is a natural legitimate child or an adopted child, there are no special dependency requirements.

If the child is an illegitimate child, stepchild or equitably adopted child:

- He or she must have been living in the employee's household; or
- The employee must have been contributing money or goods (food, clothes, housing and so on) needed to support the child.

NOTE: In the case of a stepchild, the employee must be contributing one-half of the child's support.

If the child is a grandchild or stepgrandchild:

- He or she must have been living in the employee's household; *and*
- The employee must have been contributing at least one-half of the money or goods (food, clothes, housing and so on) needed to support the child.

Chapter 10 — Special Requirements For A Grandchild Or Stepgrandchild

In addition to meeting the dependency requirements, a grandchild or stepgrandchild could only be paid:

- If the child's own parents are dead or disabled; or
- If the child was legally adopted by the employee's widow(er) after the employee's death.

Chapter 11 — Child Met Requirements In The Past

If there are no children who meet all these requirements right now, a child's annuity may be able to be paid for some period of time if the child met the requirements:

- In the month the employee died or later; or
- Any time in the last six months if the employee died more than six months ago.

Chapter 12 — When A Child's Annuity Stops

A child's annuity will stop in the month the child attains age 18, unless the child is disabled or, in some cases, qualifies as a full-time student.

Also if a child marries after becoming entitled to a child's annuity, the child's annuity stops. The child will never again become entitled to a child's annuity unless that marriage ends in an annulment.

Chapter 13 — Types of Mothers/Fathers Eligible For A Mother's/ Father's Annuity

Any person described below is considered an eligible mother/ father who may file an application:

- Young mother/father;
- Remarried mother/father; or
- Divorced mother/father.

Each of these groups of mothers/fathers has different requirements concerning marriage to the employee as well as the type of child who will entitle the mother/father to an annuity.

Chapter 14 — Marriage Requirements For A Young Mother/Father

In order to be considered a young mother/father entitled to a mother's/father's annuity, you must:

- Be the legal widow(er) of the employee;
- Have been married to the employee for at least nine full months before the employee's death. You must not have been divorced from the employee unless you and the employee remarried before his or her death. If you were not married to the employee for at least nine full months you should contact the nearest Railroad Retirement Board office. There are a few specific exceptions to the nine-month marriage requirement which the personnel in that office will explain to you; and
- Have not remarried since the employee's death.

Chapter 15 — Marriage Requirements For A Remarried Mother/Father

In order to be considered a remarried mother/father entitled to a mother's/father's annuity, you must:

- Be the legal widow(er) of the employee;
- Have been married to the employee for at least nine full months before the employee's death. You must not have been divorced from the employee unless you and the employee remarried before his or her death. If you were not married to the employee for at least nine full months you should contact the nearest Railroad Retirement Board office. There are a few specific exceptions to the nine-month marriage requirement which the personnel in that office will explain to you; and
- Have remarried but not be currently married.

Chapter 16 — Marriage Requirements For A Divorced Mother/Father

In order to be considered a divorced mother/father entitled to a mother's/father's annuity, you must:

- Be *finally* divorced from the employee; and
- Be unmarried.

Chapter 17 — Types Of Children Who Can Qualify A Young Mother/Father

In order to be considered a young mother/father entitled to a mother's/father's annuity, you must have in your care any of the children who are entitled to a child's annuity, except a full-time student.

Chapter 18 — Types Of Children Who Can Qualify A Remarried Mother/Father

In order to be considered a remarried mother/father entitled to a mother's/father's annuity, you must have in your care any of the children who are entitled to a child's annuity with these two exceptions:

- A full-time student does not qualify a remarried mother/father for an annuity; and
- A child will only qualify a remarried mother/father up until the child attains age 16 unless the child is disabled.

Chapter 19 — Types Of Children Who Can Qualify A Divorced Mother/Father

In order to be considered a divorced mother/father entitled to a mother's/father's annuity, you must:

- Be the natural mother or father of the employee's child; or
- Have legally adopted the employee's child while you were married to the employee and before the child attained 18; or
- Be the mother or father of a child who was legally adopted by the employee while you were married to the employee and before the child attained 18; or
- Have been married to the employee at the time both of you legally adopted a child under 18.

A child will only qualify a divorced mother/father:

- If the child is under age 16; or
- If the child is age 16 or older and disabled.

Chapter 20 — When A Mother's/Father's Annuity Ends

A mother's/father's annuity ends in the month the only qualifying child:

- Dies; or
- Marries.

In some cases a mother's/father's annuity ends when the mother/father remarries. (See the chapter, *"How Remarriage Affects A Mother's/Father's Annuity."*)

A mother's/father's annuity always ends in the month that the only qualifying child leaves the mother's/father's care. (See the chapter, *"When A Child Is Considered To Be In A Mother's/Father's Care."*)

Finally, a mother's/father's annuity ends when the child attains a certain age, unless the child is disabled. This terminating age varies with the various types of mothers/fathers as follows:

- Young mother/father;

  A young mother's/father's annuity ends in the month the only qualifying child attains age 18. However, there will be an adjustment in the amount of the mother's/father's annuity in the month the child attains age 16. (See Part III — "How Your Annuity Is Computed.")

- Remarried mother/father, Divorced mother/father;

  A remarried mother's/father's or divorced mother's/father's annuity ends in the month the only qualifying child attains age 16.

Chapter 21 — How Remarriage Affects A Mother's/Father's Annuity

A mother's/father's annuity ends in the month the mother/father remarries unless the mother/father marries a person who is entitled to a Social Security or Railroad Retirement:

- Retirement benefit;
- Disability benefit;
- Widow(er)'s benefit;
- Mother's/father's benefit;
- Parent's benefit; or
- Child's disability benefit.

If a young mother/father marries one of those beneficiaries, the young mother/father becomes a remarried mother/father in the month of the remarriage and the amount of the annuity may change. If a remarried mother/father or divorced mother/father marries one of those beneficiaries, there is no change in the annuity.

Chapter 22 — When A Child Is Considered To Be In A Mother's/Father's Care

A child under age 18 or a child age 18 or older who is disabled and mentally incompetent is considered to be in your care if you exercise parental control and responsibility for the child.

A child age 18 or older who is disabled but mentally competent is considered in your care if you perform personal services for the child. Personal services may include:

- Nursing;
- Dressing;
- Feeding; and
- Handling funds.

Chapter 23 — Widow(er)s, Remarried Widow(er)s, Or Surviving Divorced Spouses Who Can Qualify For A Railroad Retirement Annuity

The Railroad Retirement Board may be able to pay an annuity to a widow(er), a remarried widow(er) or a surviving divorced spouse of a railroad employee if he or she meets these marriage requirements:

- *Widow(er)*

  A widow(er) must:

  - Be the legal widow(er) of the employee;
  - Have been married to the employee for at least 9 months before the employee died; and
  - Not have remarried since the employee's death.

- *Remarried widow(er)*

  A remarried widow(er) must:

  - Be the legal widow(er) of the employee;
  - Have been married to the employee for at least 9 months before the employee died; and
  - Not be currently married, unless he or she remarried after age 60 (age 50 if he or she was entitled to a disabled widow(er)'s annuity before the marriage occurred).

- *Surviving divorced spouse*

  A surviving divorced spouse must:

  - Be *finally* divorced from the employee;
  - Have been married to the employee for a period of 10 years immediately before the date the final divorce became effective; and
  - Not be currently married unless he or she remarried after age 60 (age 50 if he or she was entitled to a disabled surviving divorced spouse's annuity before the marriage occurred).

In addition, the widow(er), remarried widow(er) or surviving divorced spouse must be:

- Age 60 or older; or
- Age 50 through 59 and disabled.

Chapter 24 — Parents Who Can Qualify For A Railroad Retirement Annuity

When we use the word "parent" we are including all of the following:

- The employee's natural parent;
- The employee's stepparent, if the stepparent married the employee's natural parent before the day the employee reached age 16; and
- The person who adopted the employee, if the adoption took place before the employee reached age 16.

In order to be considered for an annuity the parent must not have married after the employee's death and the parent must have been receiving one-half of his or her support from the employee at the time the employee died or at the beginning of the employee's period of disability if the employee was disabled.

A full parent's annuity can only be paid when the employee is not survived by a widow, widower or children who could ever qualify for a monthly railroad retirement annuity. If there are other survivors who are entitled to an annuity, only the tier I portion of the annuity may be paid to the parent.

Chapter 25 — Beginning Date Of The Mother's/Father's And Child's Annuity

The mother's/father's and child's annuity can begin on the latest of these three dates:

- The month the employee died;
- The month the mother/father or child meets all the necessary requirements for an annuity; or
- Six months before the month in which you file the application.

Chapter 26 — Effect Of A Mother's/Father's And Child's Annuity On Other Railroad Retirement Benefits

If entitlement to a mother's/father's and child's annuity begins in the month the employee dies, no lump-sum death benefit will be paid by the Railroad Retirement Board (RRB).

If you are eligible to receive an annuity from the RRB based on your own railroad service, both that annuity and your mother's/father's annuity will be paid to you, although an adjustment will be made in the amount of the mother's/father's annuity.

If you are eligible to receive a spouse annuity or another survivor annuity (i.e., a widow(er)'s annuity or parent's annuity) from the RRB, only the annuity which will give you the most money will be paid.

If any child is eligible to receive a child's annuity based on any other deceased railroad employee, only the individual annuity which would give the child more money can be paid.

Chapter 27 — How Earnings Affect The Annuity

Refer to Form G-77, *How The Amount Of Earnings Affect Payment Of Survivor Annuities*, for the annual earnings exempt amounts to use when completing the items in the section, *"Information About Work and Earnings."*

A family member may lose part of his or her annuity if he or she earned more than the annual earnings exempt amount in any year.

The term "annual earnings exempt amount" means the amount of money a family member can earn while receiving an annuity without losing part of the annuity. However, if a family member works outside the United States for 45 or more hours in a month, the family member will lose part of his or her annuity regardless of the amount of money he or she earns unless he or she pays United States social security taxes. However, if the family member does pay United States social security taxes on work outside the United States, the family member is then subject to regular "annual earnings exempt amount" provisions.

There is also a "monthly earnings exempt amount" which is 1/12 of the "annual earnings exempt amount." The "monthly earnings exempt amount" applies *only* in the first year in which:

- The family member is entitled to an annuity; *and*
- The family member has a "nonwork" month.

A "nonwork" month is one in which:

- The family member does not work; *or*
- The family member works but earns less than the "monthly earnings exempt amount;" *or*
- The family member works in self-employment but does not perform "substantial services."

To determine whether the family member performed "substantial services" in self-employment, the RRB considers:

- The amount of time the family member devotes to the business;
- The type of business the family member operates;
- The type of service the family member performs; *and*
- How all this compares to the work the family member did before he or she applied for an annuity.

When you figure the family member's annual earnings, count *all* earnings from employment and self-employment for the *entire* year.

Earnings from employment means all wages, salaries, vacation pay, commissions, bonuses, fees, tips and retroactive wage increases. The cash value of any goods or services (such as meals or living quarters) furnished the family member for services performed are also counted as earnings from employment. Count all amounts *before* any payroll deductions for taxes, social security, insurance premiums and so on.

Earnings from self-employment means the family member's *net* income (profit *after* deduction of allowable business expenses) for the year.

Do *not* include as earnings any money which the family member received for any reason other than work, such as:

- Interest from savings;
- Income from investments - stocks, bonds, real estate;
- Gifts,
- Inheritances;
- Pensions or other retirement benefits.

For every $2.00 which the family member earns over the "annual earnings exempt amount" in a calendar year, $1.00 is deducted from the family member's annuity.

Chapter 28 — Credit For Employee's Military Service

If the employee was never in military service, go on to the next chapter.

If the employee ever served in active duty in the United States Armed Forces, the Railroad Retirement Board (RRB) may be able to use that military service to increase your annuity.

Proof of military service must be submitted. Proof of military service may be a certificate of discharge, or any official military record that shows the dates of service. If you cannot submit these proofs, the RRB will write to the branch of service and attempt to obtain the proof.

The employee's creditable military service can either be counted as if it were railroad service, or it can be counted as if it were wage credits under the social security system. Creditable military service can be counted as if it were railroad service if certain conditions are met. In such cases, the employee must have performed creditable railroad service in the same or preceding year in which the military service began. If the military service is involuntary, all such service is always creditable as railroad service. Voluntary service is only creditable when such service was entered during a war period. Effective December 1, 1988, however, voluntary service performed in the June 15, 1948, through December 15, 1950, non-war period

can be used as railroad service if upon release from such service the employee returned to railroad service in the same year, or the year immediately following such year, without any non-railroad employment of any duration occurring after the military service and before the return to railroad service.

If the military service cannot be counted as railroad service, it still might be countable as wage credits. The RRB will determine if the military service is creditable, and also determine the most advantageous way to count it.

PART II
AFTER YOU APPLY FOR YOUR ANNUITY

The chapters in this part of the booklet explain what the Railroad Retirement Board (RRB) does after we receive your annuity application. Included is important information about how soon you can expect a decision on your application, and the different ways in which the RRB can send your annuity payments.

Chapter 29 — Notice Of Railroad Retirement Board Decision About Your Application

After the Railroad Retirement Board (RRB) receives your completed application and all of the needed proofs, the RRB will decide if a mother's/father's and child's annuity can be paid. If it cannot be paid, the RRB will send you a letter which explains:

- Why you or the child cannot be paid; and
- What you can do if you disagree with the reason you or the child cannot be paid.

If you can be paid an annuity, you will receive:

- A letter which shows the amount of your monthly payment and other information about your entitlement and the child's entitlement to an annuity; and
- A payment for the amount which is due you up through the month before you get the payment; and
- A payment for each child for the amount which is due the child up through the month before you get that payment.

Sometimes the RRB will not be able to make a decision on your application without some additional information. If so, you will be contacted by an RRB representative by telephone or mail. You will be asked to send us the additional forms, proofs or statements that are needed.

Unless you receive a request for additional information, the RRB will notify you of the decision on your application in about three months. If you do not hear from us by the end of the three months, please contact us so we can find out what is causing the delay.

Chapter 30 — How Payments Are Made

Each family member who is entitled to an annuity will receive his or her own check. If you are receiving benefit on behalf of a minor child, the child's check will be made payable to you "for" the child.

The first checks you receive from the Railroad Retirement Board will include all back payments which are due you and the child. You may receive these checks at any time during the month.

The payments which you receive after your back payment will be made once a month on the first day of the month. If the first day of the month falls on a day on which mail is not delivered, such as Sunday or a holiday, the payment will be made on the first day that mail is delivered. The payments which you receive at the beginning of the month actually represent the annuity which was due you and the child for the previous month.

Chapter 31 — Sending Payments To A Bank Or Other Financial Organization

Many people would rather have their payments sent directly to a savings or checking account at a financial organization instead of being sent to their home. They find that it is both safe and convenient. For the people who are interested in this method of receiving their monthly payments, the Railroad Retirement Board (RRB) offers a direct deposit program.

Under the RRB's direct deposit program, the monthly annuity payment is made directly to your savings or checking account at your financial organization. If you would like to take advantage of this program, take one of the annuity checks you will receive to your

financial organization. Ask them to complete a Form SF-1199A, *Authorization for Deposit of Federal Recurring Benefits*. Your financial organization will have these forms; they are not supplied by the RRB. Approximately three months after you and your financial organization complete the SF-1199A, the monthly annuity payment will be sent directly to your savings or checking account. If you do not complete Form SF-1199A at your financial organization, you will continue to receive your checks at home.

Even when you sign up for direct deposit, be sure to keep your home address on our records current as explained in the chapter, *"Change Of Address."*

Chapter 32 — Change Of Address

Your initial annuity check and any other information from the Railroad Retirement Board (RRB) are sent to the address on your application. To avoid a delay in receiving your check, notify the RRB immediately if you change your address. It is important to report all changes to the RRB even if your payments are sent directly to a financial institution. If this is the case, the RRB still keeps your home mailing address on record. This mailing address is used to send any material other than your payments (such as notices of cost-of-living increases, Medicare information and new annual earnings exempt amounts) to you.

A notice of change of address must be in writing. It should include:

- Your railroad retirement claim number;
- Your name;
- Your new address;
- Your old address; and
- The date you will start receiving mail at the new address.

Send the notice of the change of address to the nearest U.S. Railroad Retirement Board office.

If you do not notify the RRB immediately, and a check is returned to the RRB because you were no longer at the address on the check, there will probably be a delay of at least one month before you start receiving payments again.

If you do not report your change of address and your payments are on direct deposit, the RRB cannot be responsible for any important information which you do not receive.

PART III
HOW YOUR ANNUITY IS COMPUTED

This part of the booklet contains information that will help you understand how the amount of your mother's/father's and child's annuity is determined.

Chapter 33 — The Parts Of A Young Mother's/Father's And Child's Annuity

All child's annuities are made up of at least two parts. A mother's/father's annuity can be made up of one or two parts, depending on whether you are a young mother/father, remarried mother/father or a divorced mother/father.

The first part (tier I) is included in all mother'/father's and child's annuities. The computation of tier I is explained in the next chapter.

The second part (tier II) is included in all child's annuities, but is only included in a mother's/father's annuity payable to a young mother/father. Remarried mothers/fathers and divorced mothers/fathers do not have a tier II in their annuities. (See the chapter, *"Tier II."*)

Each year you will receive a cost-of-living increase. Your gross tier I increase will be the same percentage as a social security benefit cost-of-living increase. Your tier II will increase for cost-of-living under the rules for private pensions. An increase may not be payable each year.

Chapter 34 — Tier I

Each individual annuity tier I amount is based on the deceased employee's combined railroad retirement and social security credits. If there are fewer than three qualified family members, each individual annuity tier I amount equals 75% of the amount that the employee would have received for himself or herself if he or she had retired only under the social security system.

If there are three or more qualified family members, an amount called the family maximum applies to the tier I amount. The family maximum amount is divided by the number of family members to determine the individual annuity tier I amounts.

Examples:

- If the family maximum amount is $400.00 and there is a mother and three children, each individual tier I would equal $100.00.
- If the family maximum amount is $400.00 and there is a mother and seven children, each individual tier I would equal $50.00.

  Because of the family maximum, a new family member often can become qualified for an annuity or a family member can stop being qualified and the total benefits payable to the family together will remain just about the same.

Each child's annuity tier I amount is reduced for the entire amount of any social security benefit which the child is entitled to receive. It makes no difference on whose record the social security benefit is based.

A mother's/father's annuity tier I amount is reduced for:

- The entire amount of any social security benefit which you receive based on your own account or which you receive as a survivor on the account of another person;
- A portion of any railroad retirement annuity based on your own railroad industry work; and
- Two-thirds of the amount of any public service pension which you receive if you do not meet one of the exceptions given in the chapter, *"Public Service Pension."*

If you are a remarried mother/father or a divorced mother/father, you cannot receive a mother's/father's annuity if the amount of

your own social security benefit (if you have one) is greater than the maximum amount of the mother's/father's annuity which could be paid on the employee's account.

An adjustment must be made when the youngest qualifying child attains age 16, unless there is a disabled child in the mother's/father's care. (See the chapter, *"When A Mother's/Father's Annuity Ends."*) As a result of this adjustment, the mother's/father's tier I is reduced to zero. If the family maximum is involved in the case, the shares of the maximum due to all entitled children will be increased when the mother's/father's tier I is reduced to zero.

Chapter 35 — Tier II

The tier II portion of each individual annuity is based on the following percentages of the tier II that the employee would have received if he or she were alive and receiving railroad retirement benefits:

- 50% for a young mother/father; and
- 15% for a child.

However, there is a maximum percentage of 80% of the employee's tier II which can be paid out in each case. Therefore, the actual percentage used to compute the 1981 Amendment tier II for each family member depends on the number of people who are entitled to receive benefits in the case.

Examples:

- A young mother and one child are entitled to benefits. Since one 50% share and one 15% share equal less than the maximum of 80%, the young mother and child will get their full share.

- A young mother and three children are entitled to benefits. Since one 50% share and three 15% shares equal more than the maximum of 80%, each individual share must be reduced proportionately:
  - The young mother's share becomes approximately 42%; and
  - Each child's share becomes approximately 13%.

In the cases in which a tier I deduction was made for a young mother's own railroad retirement annuity, an addition may be made to tier II to restore a portion of the reduction made in tier I. This addition is payable only if either the young mother or the employee had at least 120 months of railroad industry employment before 1975.

In the cases in which a young mother's/father's tier I is reduced to zero (see the chapter, *"Tier I"*), the young mother's/father's share of the employee's tier II will continue to be paid, because it is not based on tier I.

In a few cases, the young mother/father was receiving a railroad retirement spouse annuity in the month before the employee died. If this is the case, the young mother's/father's total individual annuity is compared to the spouse annuity which you were receiving. If the young mother's/father's total individual annuity amount is less than the spouse annuity amount, the young mother's/father's total individual annuity amount is increased to equal the amount of the spouse annuity. The correct young mother's/father's total individual annuity amount will never be less than the correct spouse annuity amount which was payable in the month before the employee's death.

PART IV
EVENTS THAT CAN AFFECT YOUR ANNUITY

The chapters in this part of the booklet describe the different events that will affect your annuity and the child's annuity. You should be aware of these different events and notify us immediately if any of them apply to you or any of the children.

The events you should report can affect:

- The amount of your monthly payment; or
- The total amount which can be paid to you and the children during the year; or
- Whether you and the children can continue to be paid at all.

Keep this booklet handy and refer to this part occasionally to see if you need to report any event to the Railroad Retirement Board.

Chapter 36 — Work In The Railroad Industry

A family member cannot be paid for any month in which he or she works for a railroad or other employer in the railroad industry. This applies no matter how old the family member is or how much money he or she earns from that work. You must notify the Railroad Retirement Board immediately if any family member goes to work in the railroad industry.

Chapter 37 — Work Outside The Railroad Industry

As explained in the chapter, *"How Earnings Affect The Annuity,"* work outside the railroad industry may affect the family member's annuity payments. Whenever you expect the family member's earnings for any year to be more than the annual earnings exempt amount, you must notify the Railroad Retirement Board immediately. If you do not notify us promptly, you may be paid more annuity than you are due and have to refund the overpayment.

You must continue to report earnings over the annual earnings exempt amount as long as the family member remains entitled to an annuity.

Chapter 38 — Social Security Benefits

If you are qualified to receive an old age, survivor or disability insurance benefit from the Social Security Administration (SSA) at the time that you file your application, and you indicate on the application that you want to use the application to protect your filing date for a social security benefit, the SSA will get in touch with you and advise you how to file a social security application.

If any family member becomes qualified to receive any social security benefits after you file your application for an annuity with the Railroad Retirement Board (RRB), you must contact an SSA office directly to file an application for social security benefits. In either case, the SSA will decide if you or the family member is entitled to receive benefits and will compute the amount of the benefit which can be paid. However, the actual payment will be made by the RRB and will be combined with your regular monthly railroad retirement payment.

The chapter, *"Tier I,"* explains how your mother's/father's and child's annuity must be adjusted for any social security benefits which any family member is entitled to receive. In most cases, the total amount which will be paid to you and your family each month by both the RRB and the SSA will not change if you file for social security benefits.

Filing for a social security benefit will usually increase the total benefits payable to you and your family only if either of the following situations apply:

- Your social security benefit is larger than the tier I part of your railroad retirement annuity which must be adjusted for the social security benefit; *and*
- You do not expect to earn more than the annual earnings exempt amount. (See the chapter, *"How Earnings Affect The Annuity."*); *or*

- You have children or other family members who are not eligible for a railroad retirement annuity, but they are eligible for social security benefits.

It is important to notify the RRB as soon as you file a social security application for monthly benefits. If you do not notify the RRB, a railroad retirement annuity overpayment may result.

Chapter 39 — Public Service Pension

As explained in the chapter, *"Tier I,* "your mother's/father's annuity must be adjusted for any public service pension payments which you are entitled to receive.

A public service pension is the retirement pay you receive because you worked for the federal government of the United States, a state government or any political subdivision of a state, such as a city, county, town, township, village, school or sanitation district. The definition of "state" includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam and American Samoa. Work for the government of a foreign country is not included.

The public service pension may either be a monthly check or a lump-sum payment. It may be administered by the government agency or a private insurance company. A military service pension based entirely on active duty before 1957 will cause a reduction. However, the following are not considered to be public service pension payments:

- Social security benefits;
- Railroad retirement annuity;
- Veterans Affairs benefit;
- Worker's compensation;
- Black lung benefit.

In addition, your annuity will not be adjusted for public service pension if:

- You are a widow, remarried widow, surviving divorced wife who was married to the employee for at least 20 years, or a widower who was receiving one-half of your support from the employee when she died and you did not remarry before age 60 and you were entitled to or eligible for the public service pension for any month in the period December 1977 through November 1982; or
- You were entitled to or eligible for a public service pension for any month prior to July 1, 1983, and were dependent on the employee for one-half support; or
- Social security (FICA) taxes were being deducted on your last day of employment; or,
- You elected coverage under the Federal Employees Retirement System (FERS).

If you are receiving a public service pension when you complete the application, you must report to the Railroad Retirement Board (RRB) any changes in the amount of the public service pension payments.

If you start to receive a public service pension after you complete the application you must notify the RRB immediately when you begin to receive a public service pension. Your report to the RRB should include:

- Your railroad retirement claim number; and
- The amount of the pension payments; and
- The date that the pension became effective.

After you make the first report, you must report any changes in the amount of the payments.

If at any time after you file the Form AA-18, you are offered the opportunity to receive public service pension payments, but you choose to receive a one-time payment instead of monthly payments you must notify the RRB. Your report should include:

- The date you received the one-time payment;
- The date your monthly pension payment would have been effective if you had not received the one-time payment; and

- The amount the monthly payment would have been if you had chosen to receive it instead of the one-time payment.

Chapter 40 — Remarriage Of The Mother/Father

As explained in the chapter, *"How Remarriage Affects A Mother's/Father's Annuity,"* if you marry after your mother's/father's annuity begins, one of the following events could occur:

- Your annuity would terminate;
- The amount of your annuity may change; or
- Your annuity might continue unchanged.

Therefore, you must always notify the Railroad Retirement Board (RRB) as soon as you remarry so that a decision on your annuity can be made based on the facts in your case.

Your report to the RRB should show your railroad retirement claim number and the date of your remarriage.

Chapter 41 — Marriage Of A Child

A child's annuity stops in the month a child marries. In addition, if there was only one qualifying child, the mother's/father's annuity also stops in the month the child marries.

You must notify the Railroad Retirement Board (RRB) as soon as a child marries. Your report to the RRB should show the child's railroad retirement claim number and the date of the marriage.

In addition, you must return any annuity payment you receive for the child after the date of the child's marriage. If there are no other qualifying children, you must also return any annuity payment you receive for yourself after the date of the child's marriage.

Chapter 42 — Child Leaves Mother's/Father's Care

You must notify the Railroad Retirement Board (RRB) immediately if any of the children for whom you are receiving the railroad retirement annuity dies. You must also notify the RRB immediately if any child leaves your care or if you are no longer responsible for the welfare of the child.

In addition, you must return any annuity payment you receive for the child after the day the child dies or the day you are no longer responsible for him or her.

Chapter 43 — Imprisonment Or Confinement For Conviction Of A Felony

The amount of your annuity may be affected if you are imprisoned or under a sentence of confinement because you were convicted of a felony.

A crime is a felony if it is considered to be a felony under applicable law. Most states define certain crimes as felonies. However, some states and foreign countries do not classify crimes as felonies. If a crime has not been classified as a felony, it is still considered to be a felony if it is a crime punishable by death or by imprisonment for more than one year.

To be "imprisoned" or "under a sentence of confinement" means confinement to a jail, prison or other penal institution or correctional facility. This includes any facility which is under the control and jurisdiction of a penal system, or any facility in which a person may be confined. This also includes hospitals, institutions and half-way houses which are used as a place of confinement. A person under a sentence of confinement to any of these facilities is considered confined even though he or she may go outside the facility to work, attend school or for some other reason.

NOTE: A prisoner who is released on parole or because his or her sentence has ended or has been suspended or overturned is *no longer* considered to be confined or imprisoned.

Chapter 44 — Receipt Of Payments For Someone Else

If you are receiving a railroad retirement annuity on behalf of a mother/father who is unable to handle his or her own funds, you must notify the Railroad Retirement Board immediately if:

- The mother/father dies;
- The mother/father leaves your care; or
- You are no longer responsible for the welfare of the mother/father.

You are also responsible for reporting any event which would affect the annuity of the children whose entitlement qualifies the mother/father.

In addition, you must return any annuity payment you receive for the mother/father after the day he or she dies or the day you are no longer responsible for him or her. If the annuity payments are being sent directly to the financial organization, you should tell the people at the financial organization that the mother/father is dead or has left your care so they can take action to return any payment received after the date of death or the date you are no longer responsible.

Chapter 45 — How To Report An Event

If, at any time after you have completed your application, you find that one of the conditions explained in this part of the booklet applies to you, you should immediately notify the Railroad Retirement Board (RRB) in writing. The notice should be sent to the RRB office at the address shown on the receipt for your application. However, if you wish, you may also call or visit that office. Most RRB offices are open to the public from 9:00 a.m. to 3:30 p.m. Monday through Friday. If you need to personally visit one of our offices, you are urged to call the office for an appointment. You will not be refused service if you do not have an appointment, but the RRB representatives can serve you better when an appointment is made.

When you report an event, be sure to include the following in your letter:

- Your railroad retirement claim number which is shown at the top of your application receipt; and
- The railroad employee's name; and
- Your name (or the annuitant's name if you are reporting an event for someone else); and
- Your address and daytime telephone number; and
- A clear explanation of what event you are reporting; and
- The exact date (month, day, year) that the event occurred; and
- If you are reporting work, the name of your employer and your estimated earnings for the year.

If you are receiving your own annuity, you must report the events which affect your annuity. If you are receiving annuity payments on behalf of someone who is unable to handle his or her own funds, you are responsible for knowing if anything has happened which would affect that person's annuity and for making the necessary report to the RRB.

PART V
RELATED BENEFITS

The chapter in this part explains about one additional benefit you may be entitled to because of your mother's/father's annuity.

Chapter 46 — Medicare Coverage

Medicare is a two-part Federal Health Insurance program for people age 65 or older and certain disabled people. One part is Hospital Insurance (sometimes called Part A). The other part is Supplementary Medical Insurance Plan (sometimes called Part B).

Hospital Insurance can help pay for:

- Medically necessary inpatient hospital care;
- Inpatient care in a skilled nursing facility; and
- Care in your home by a home health agency.

Supplementary Medical Insurance can help pay for:

- Medically necessary doctor's services;
- Outpatient hospital services;
- Outpatient physical therapy and speech pathology services; and
- A number of other medical services and supplies that are not covered by the Hospital Insurance part of Medicare.

You are eligible for Medicare if you are age 65 or over and eligible for a monthly railroad retirement annuity. You can also be covered by Medicare before age 65 if you are eligible for a monthly railroad retirement annuity and meet certain requirements for being disabled.

As soon as you are determined to be eligible for Medicare, you will automatically be enrolled for Hospital Insurance coverage (Part A). You do not pay a monthly premium for your Medicare hospital insurance.

You will also be automatically enrolled for Supplementary Medical Insurance coverage (Part B). You will have to pay a monthly premium for Part B. If you receive an annuity, the premium will usually be deducted from your monthly annuity payment. If you later choose not to receive Part B coverage, you must tell the Railroad Retirement Board.

For a more complete explanation of both parts of the Medicare program, please refer to the booklet RB-23, *Your Medicare Handbook for Railroad Retirement Beneficiaries.*

PART VI
GENERAL INFORMATION

Chapter 47 — Taxation Of Railroad Retirement Annuities

Railroad retirement annuities consist of two components called tiers. Each tier is treated differently for income tax purposes.

Tier I — For tax purposes only, this tier may be divided into two parts. One part of your tier I is equivalent to a social security benefit that would be paid based on a comparable earnings record and is treated for income tax purposes like a social security benefit. This is called the social security equivalent benefit. This part of tier I becomes partially taxable when your modified adjusted gross income exceeds $25,000.00 if single, or $32,000.00 if married and filing a joint return.

Any part of your tier I which exceeds the social security equivalent benefit is treated for income tax purposes like a contributory pension payment. This part is called the non-social security equivalent benefit.

Tier II and Non-Social Security Equivalent Benefit — The tier II and non-social security equivalent benefit are taxed like contributory private pensions. Exactly how the taxability is determined depends upon the employee's or survivor's annuity beginning date.

If the employee's or first survivor's beginning date is after July 1, 1986, the General Rule applies. The General Rule allows for the taxation of *part* of the tier II and non-social security equivalent benefit from the annuity beginning date. The tax free part will remain the same permanently or until the employee's contributions are recovered depending on the annuity beginning date. The *permanent* tax free portion applies to annuities with beginning dates of July 2, 1986, through December 31, 1986.

Generally, if the first survivor annuity beginning date is before July 2, 1986, the Three Year Rule applies. The Three Year Rule allows payment of both the tier II and non-social security equivalent benefits to be tax free until the employee's contributions have been recovered.

The Railroad Retirement Board (RRB) gives each U.S. citizen and U.S. resident annuitant a chance to elect specific tax withholding. A tax withholding election must be filed on Form RRB W-4P, *Withholding Certificate For Railroad Retirement Payments.* If you elect to have income taxes withheld, you may control the amount of taxes withheld from regular monthly or accrued annuity payments by specifying marital status and a number of withholding allowances. You may also request the RRB to withhold an additional amount or to withhold no tax from your annuity. If an election is made, it will remain in force until changed or revoked. If an election is not made, the RRB is required by law to withhold taxes as if you were married with three allowances.

A nonresident may file Form RRB-1001, *Nonresident Questionnaire,* to furnish citizenship, residence and tax treaty exemption information to the RRB. United States citizens living abroad may file Form RRB-1001 and Form RRB W-4P. If a Form RRB-1001 is not filed, and the beneficiary is assumed to be a nonresident alien (foreign mailing address), tax withholding is based on a mandatory rate prescribed by the Internal Revenue Code. The mandatory rate is 30% of one-half of tier I, and 30% of tier II.

If taxes are withheld from your railroad retirement annuity, you will receive a notification explaining the tax withholding. This notification will be separate from the notice you will receive informing you of your annuity entitlement and rate.

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